Weekly Economic Review

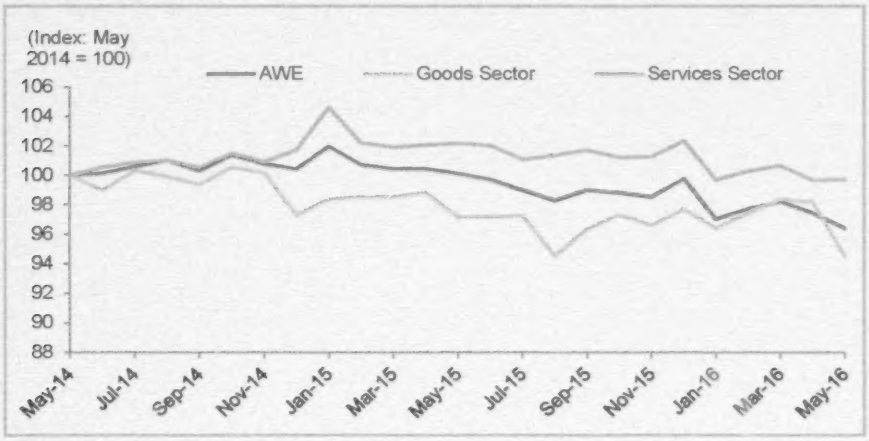
Average weekly earnings continue to fall

Average Weekly Earnings

Earnings slip to lowest level in nearly three years

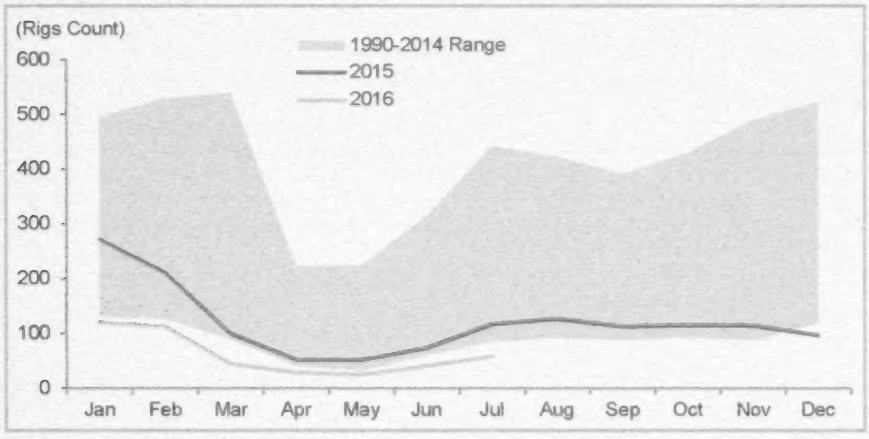
Alberta's current labour market woes pushed average weekly earnings (AWE) to $1,107 in May, down 1.1% from the previous month to the lowest level since August 2013. Goods producing industries were especially hard-hit (Chart 1), with AWE down 3.7% month-over-month (m/m) to a ten month low. The mining, oil and gas extraction industries experienced a 5.5% monthly drop in earnings. Earnings were also down in the construction (-7.7% m/m) and utilities (-6.3% m/m) industries. Services sector pay was essentially unchanged, though there was variability between industries. The biggest monthly drop was for wholesale and retail trade, while earnings were up for workers in financial and insurance services, and business management. Since January overall earnings have fallen $7; there has been next-to-no change in AWE for the services sector, while goods sector pay is down $31.

Chart 1: Average weekly earnings continues to weaken
Change in indexed average weekly earnings



Source: Statistics Canada

Chart 2: The number of active rigs is trending at a record low level
Number of Alberta active rigs drilling



Source: Canadian Association of Oilwell Drilling Contractors

Job Vacancies

Less openings for job seekers

Over the three months ending in April, the average number of job vacancies in Alberta continued to trend downwards, slipping to 26,800. Compared with April 2015, there were about 8,000 fewer available jobs. The job vacancy rate - the proportion of positions yet to be filled - was unchanged at 1.4% between March and April, though down 0.3 percentage points compared with April 2015. Rising unemployment and fewer vacancies have pushed Alberta's unemployment-to-job-vacancies ratio up to 7.4.

Rigs Drilling

Drilling continues to fall

Persistently low oil prices continue to weigh on the number of rigs operating across the province. There were 58 active rigs drilling in July, a historical low for the month (Chart 2). On a year-over-year (y/y) basis, drilling activity was down 50%. Rig utilization also hit a record low for the month, with only 13% of available rigs in use compared with a historical average usage rate of 46% in July. Drilling remained weak across Canada, down 53% y/y with

only 13% of available rigs being used – a monthly record low for utilization at the national level. The US also posted a record monthly low for the month, with only 445 rigs operating in July.

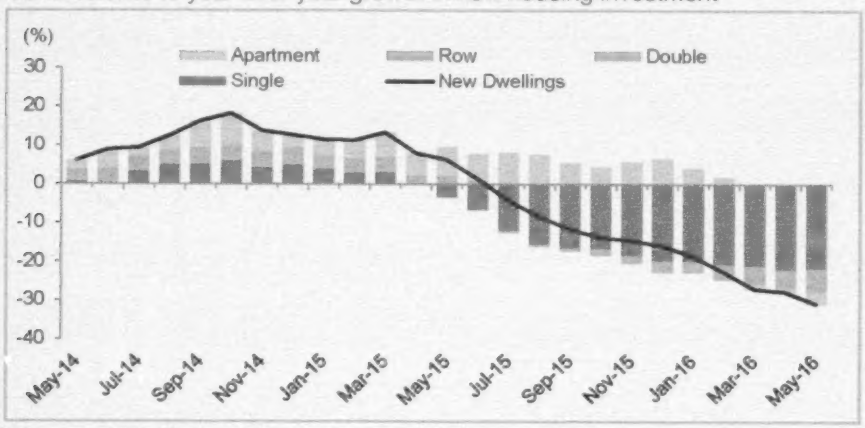
Metres Drilled

Improving efficiency coincides with waning activity

A total of 193,033 metres were drilled in May, a 44% y/y decline to the lowest level since May 2009 during the Great Recession. Declines in metres drilled were broad-based as low energy prices continued to curtail drilling for conventional oil (-34% y/y) and natural gas (-40% y/y). Disruption caused by the wildfire drove down metres drilled for bitumen to 13,773, the lowest level on record and 75% less than in May 2015. However, the low price environment has incentivized the use of more productive drilling technology, helping raise metres drilled per well to a new record high of 4,022 metres.

Chart 3: Single-family home investments hit-hardest

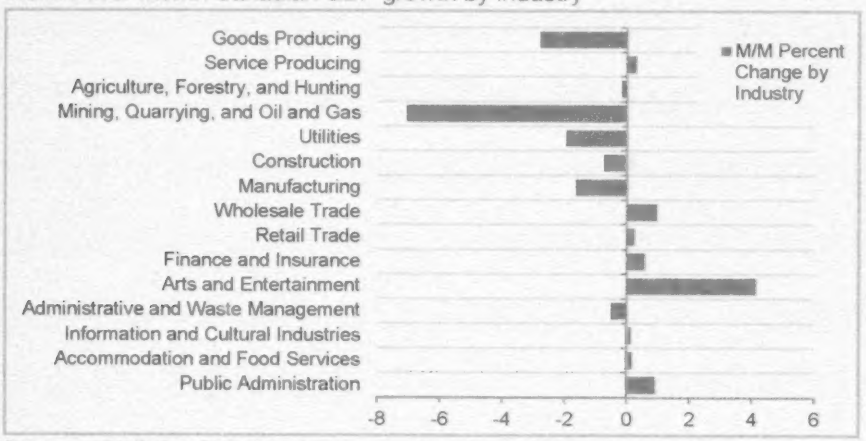
Contributions to year-over-year growth in new housing investment



Source: Statistics Canada

Chart 4: Wildfires lead to a major drop in oil production and refining

Month-over-month Canadian GDP growth by industry



Source: Statistics Canada

New Housing Construction

Lowest investment in over 4 years

Declining housing starts have weighed on residential investment in Alberta. New housing investment totaled $653 million in May, its lowest level since February 2012, and down 31% y/y (Chart 3). The drop in new construction and investment cuts affected all dwelling types. Single-unit homes were the largest contributor to weakening investment, down 38% y/y. Additionally, after maintaining growth through February, investment in new apartment buildings receded (-17% y/y) for the third straight month. Year-to-date, investment in new housing across Alberta has fallen by 26%.

Canada GDP by Industry

Growth slows in wake of wildfires

This summer's devastating wildfires in Wood Buffalo have put Canada's economy under added strain. Real GDP fell 0.6% m/m in May, the sharpest monthly decline in seven years. The wildfires led to major disruptions for the oil and gas industries. Non-conventional production fell by 22% m/m and petroleum refineries posted a 15% m/m drop in output. Other soft-spots within the goods-sector included utilities (-1.8% m/m), manufacturing (-2.4% m/m) and construction (-0.7% m/m). The service sector provided some offset, growing for an eighth straight month, up 0.3% in May. Gains in financial and insurance services, arts and entertainment, and wholesale trade helped limit the monthly contraction in overall economic activity.

Contact

Robert Van Blyderveen 780.638.5628

Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.